BAY STATE HYDROPOWER ASSOCIATION

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Massachusetts Department of Energy Resources
100 Cambridge Street
Boston, MA 02100

RE: **Reply Comments of Bay State Hydropower Association regarding Feasibility of Compliance with Import Provisions of the Green Communities Act**

Dear Sir/Madam:

The Bay State Hydropower Association ("BSHA") thanks the Department of Energy Resources (the "Department") for the opportunity to submit reply comments to the "feasibility" of compliance with the provisions of Subsection 105(c) and (e) of the Green Communicates Act (the "Act"). As you are aware, the BSHA comprises over 90% of the owners of hydro facilities in Massachusetts with over 90% of the capacity of hydropower in the Commonwealth.

It is our view that the Legislature has already determined that imposing a capacity commitment requirement on out-of-region generators ("external resources" or "external generation resources") is vital to its policy objective of ensuring reliability of the region's electricity service. The members of the BHSA understand quite well that without any such commitment, the Act will neither achieve this reliability goal nor provide the real benefits of the program objectives for the Massachusetts electric consumers. It is entirely reasonable for the Massachusetts' electric consumer to expect real commitment in the region by external resources in return for an approximately $50+ per megawatt-hour premium. Arguments to the contrary do not sufficiently consider these in region benefits for consumers.

Some commenter's focus on the lowest possible cost of the Renewable Portfolio Standard ("RPS") and would accept any low RPS standard in order to achieve that result. Again, however, accepting such lax standards ignores the reliability goals of the Legislature

and the more significant in-region benefits that Massachusetts electric consumers would receive.

There is no dispute that the RPS and the Governor's plans call for renewables to be a major part of this state's power supply. The argument that external resources should be afforded a "delivery at the supplier's convenience" standard (ie. delivery without any commitment) which could someday be as much as 20% of Massachusetts' power supply is irresponsible. The Legislature understood this fact quite well. Section 105 (c)(3) can only be seen as a first step in ensuring power supply stability. Supply security and price stability will require significantly longer commitments than a single year. But it is a start. For the Department to not follow through with the Legislature's express intent in this regard would be an unfortunate backward step.

With respect to the Commerce Clause issues that have been raised in the comments, the BSHA reiterates its position that there are no such issues. The fact that virtually all internal renewable generators are currently qualified in Massachusetts as capacity resources in ISO-NE and none of the external renewable generators are capacity resources is telling. In fact, one can more reasonably argue that without any capacity commitment imposed on external resources, in-region renewable generators would be at a disadvantage. As evidenced in the original comments, there is no definitive Commence Clause argument that should prohibit the implementation of Subsections 105(c) and (e) of the Act. The real question, as it always has been, is whether or not implementing such Subsection is "feasible."

Some opponents have simply stated, using whatever definition of "feasible" they chose, that Section 105 is just not feasible. Some of these opponents have filed Statements of Intent with ISO-NE to participate in the forward capacity auctions. ISO-NE has qualified these external intermittent resources to enter into the upcoming Forward Capacity Auction ("FCM"). It is clear that it is feasible for these external resources to participate in the FCM. If it were not feasible why would they file a Statement of Intent? All comments agree that the word "feasible" means to some extent "capable of being done." It is clear that it can be done. ISO-NE Market Rule No. 1 clearly provides the mechanism by which external generation resources can participate in the capacity market.

One of the goals of the RPS is to provide renewable resources to Massachusetts residents at least cost to Massachusetts ratepayers. Some have argued that Renewable Energy Credit prices will be driven up if Subsections 105(c) and (e) are implemented. Does one really believe that paying $6 billion in transmission costs to import renewable electricity into Massachusetts will not result in an increase to ratepayers, i.e. that these costs will not be forwarded on to customers? Any perceived savings will come at the cost of delivery of electricity to ratepayers. Without capacity commitment requirements for external resources, a "delivery of convenience" attitude will certainly cost ratepayers in the end.

After numerous conversations with various legislators, it is clear to the Bay State Hydropower Association that another goal of the RPS was to encourage the development of

domestic renewable energy. In fact, most legislators would strongly prefer that these developments take place within Massachusetts. It is our position that the Department would be acting contrary to the legislative intent were to rule contrary to Section 105(c) which would result in the advantaging of out of region renewable over in state or in region renewables.

The Navigant study commissioned by the Department entitled "Massachusetts Renewable Energy Potential" clearly states that by 2020, Massachusetts has the potential to manufacture enough renewable resources, including hydropower, to fulfill its RPS requirements. Some are skeptical of the report. However, if the study is even partially correct, with the addition of renewables from the ISO region, there will be more than enough renewables to satisfy the RPS in Massachusetts without imports. In that situation, additional renewables from outside of the ISO region could have the potential to harm the REC market in Massachusetts. The Commonwealth of Massachusetts has a right to advance legitimate and non-protectionist state interests in order to prevent such potential harm.

National Grid, NSTAR, and TEC (collectively, the "Opposing Parties") claim that imposing a capacity requirement on imported renewables is inappropriate because electric customers would not otherwise be able to enjoy the benefits of the transmission interconnections to neighboring control areas. The Opposing Parties state that for the year 2011 "the total amount of capacity imports allowed by ISO-NE market rules is ***only*** [emphasis added] 2100 MW...". The Opposing Parties claim that the imposed capacity requirement "would cut almost in half the potential imports of qualified, clean, renewable energy to Massachusetts consumers."

In response, and simply put, we do not feel this fully portrays the situation that the Opposing Parties speak of. As the Opposing Parties fully understand, and as is widely recognized among participants in the region's electric markets, the primary qualifying renewable resource being built in adjacent control areas - NY and Canadian provinces - is wind, thousands of megawatts of wind. They should also understand, having participated in rules developed as part of the Forward Capacity Market proceedings, wind facility capacity ratings are a function of mean output during seasonal peak periods. Inland wind facility capacity ratings are only a fraction of the facility nameplate rating. In the summer, an inland wind facility will have a capacity rating of about 15% of nameplate, and in the winter, about 35% of nameplate.

The implication of these facts is that in the summer, wind resources with nameplate ratings of 14,000 MW would be required to export from neighboring control areas to exhaust the ***only*** 2100 MW of transmission capacity, and in the winter, 6,000 MW of wind resources would be needed. Assuming a 33% capacity factor for wind facilities based on nameplate ratings, the 2100 MW of transmission capacity would accommodate 25 Million MWH of qualifying renewable energy, or about half of Massachusetts' electric energy requirements. Assuming the opposite extreme, that only eligible high capacity factor biomass plants were built in neighboring control areas for export, the 2100 MW of transmission capacity could transmit 16 Million MWH to Massachusetts and meet the

Legislature's import standard – or more than 30% of Massachusetts' electric energy requirements.

The only conclusion that can be drawn from these facts is that Opposing Parties have conclusively demonstrated the feasibility of the import language, since existing transmission capacity alone provides sufficient energy and capacity to satisfy Massachusetts RPS needs to year 2020 and beyond.

Thank you for the opportunity to submit reply comments. Please do not hesitate to contact me should you have any questions.

Sincerely,

/s/

Thomas A. Tarpey
President